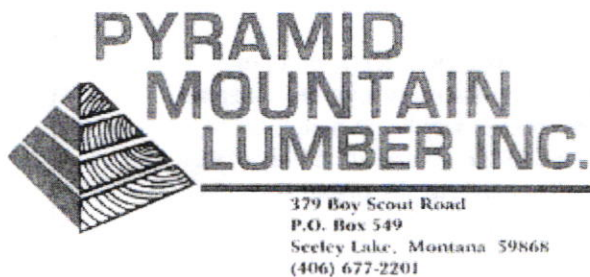


APPENDIX G. PROGRAM FEEDBACK FROM PYRAMID MOUNTAIN LUMBER, INC



June 17, 2016

TO: Legislative Economic Affairs Interim Committee.

FROM: Loren Rose, Chief Operating Officer
Pyramid Mountain Lumber, Inc.

RE: WPIRS

2015 was by far the worst year in the 66 year history of Pyramid Mountain Lumber. The losses were such that all of our working capital evaporated and our borrowing ability was seriously hampered. At year end we had less than \$1.5 MM left on our operating line of credit and only had 1.045 million board feet of logs in the yard. Our goal for log inventory is 10 million board feet by mid-March. With log costs averaging \$400 per MBF, it would take \$3.6 MM to bring in an additional 9 million board feet of logs.

Without the Montana Distressed Wood Products Industry Revolving Loan Fund Program, Pyramid would not have been able to "wood" the mill in January and February. That would have meant layoffs and some of our workforce would have had to relocate for other work. The workforce in Montana is extremely thin and we already have a hard time hiring. Losing good people and developing a reputation for running inconsistently could have been our death knell. A certain level of production is critical for keeping our production costs competitive.

When Pyramid applied for the loan, it was obvious we were on the right course, just needed more time and a little help. While we got the help in the form of additional capital, we did not receive the help we were hoping for from the lumber market. We knew that if we could force log prices down the \$400 per MBF, we could survive in this market. Log prices did get to where they needed to and we have been profitable the last couple of months.

APPENDIX G. – CONTINUED

Log availability has been a problem in early 2016 due to the weather. It started raining in February and we basically lost a month of what would typically be our best logging weather. That caused most of the mills to adjust production schedules to match the logs available. We have done that for over two months, but had the luxury of having a large enough rough dry inventory that we could send sawmill people to the planer to surface our excess production. This helped keep costs down, keep all of our people working and developed more product to ship, helping our cash flow.

The State of Montana having confidence in Pyramid allowed us to operate the last six months under very trying conditions, maintaining the flexibility this industry requires and keeping all of our employees working. WPIRS will be an important program for the foreseeable future as Montana forest products companies struggle to survive. Thank you!

Respectfully,

A handwritten signature in cursive script that reads "Loren Rose".

Loren Rose
Chief Operating Officer
Pyramid Mountain Lumber, Inc.